

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

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FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 3184

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DEPT PASS USINT BAGHDAD FOR INFO

E.O. 11652: N/A

TAGS: ETRD EARL ENRG YO IZ

SUBJ: YUGOSLAV LONG-TERM OIL CONTRACT WITH IRAQ AND DEPUTY
FOREIGN SECRETARY'S VIEWS ON SIZE OF OPEC OIL PRICE
INCREASE IN SEPTEMBER

REF: BELGRADE 2914

1. DEPUTY FOREIGN SECRETARY MOJSOV TOLD AMBASSADOR JUNE 18 AT DINNER THAT YUGOSLAVIA HAD A THREE-YEAR CONTRACT WITH IRAQ FOR FIVE TO SIX MILLION TONS OF OIL ANNUALLY. AS MOJSOV DESCRIBES IT, AGREEMENT REACHED LAST OCTOBER WAS APPROXIMATELY 40 CENTS BELOW WORLD MARKET PRICE. UNDER TERMS OF AGREEMENT CONTRACT PRICE COULD NOT GO UP REGARDLESS OF INCREASE IN WORLD PRICE BUT WOULD BE REDUCED ACCORDINGLY IF OPEC REDUCED PRICE. GOY WILL IMPORT BALANCE OF ITS IMPORT REQUIREMENTS FROM THE SOVIETS DELIBERATELY AT A HIGHER PRICE THAN THE IRAQI SOURCE SO AS TO ATTEMPT TO BALANCE TRADE ACCOUNT WITH SOVIETS.

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2. MOJSOV INDICATED WITHOUT BEING SPECIFIC THAT UNDER CONTRACT

TERMS THERE WAS A SUBSTANTIAL DELAY OF PAYMENT CONSTITUTING CREDITS ADVANCED BY IRAQIS.

3. MOJSOV EXPLAINED IRAQ WILLINGNESS TO ENTER INTO CONTRACT IN TERMS OF THEIR OPPOSITION TO OPEC'S PRICE RISE AND THEIR OPPOSITION TO CUTBACK IN PRODUCTION.

4. HE ALSO INDICATED HIS HOPE THAT SUBSTANTIAL OIL DEPOSITS AROUND THE WORLD WOULD BE QUICKLY DEVELOPED AS WELL AS ALTERNATIVE SUPPLIES OF ENERGY TO REDUCE WHAT HE REGARDS AS UNDESIRABLE EXCESS LEVERAGE OF MIDDLE EAST NATIONS.

5. AMBASSADOR QUESTIONED MOJSOV CONCERNING OPEC'S INTENTIONS FOR A FURTHER PRICE INCREASE THIS FALL AND MOJSOV SEEMED QUITE SURE THERE WOULD NOT BE A SUBSTANTIAL INCREASE BUT RATHER A TOKEN INCREASE ONLY. HE EXPLAINED THIS IN TERMS OF THE ENORMOUS PRODUCTION CUTBACKS IN OPEC NATIONS WHICH HAVE JEOPARDIZED DEVELOPMENT PLANS. HE IMPLIED RPT IMPLIED THAT OPEC TALKS OF SUBSTANTIAL PRICE INCREASE WAS DESIGNED AS LEVER TO INDUCE DEVELOPED WORLD CONCESSIONS ON INTERNATIONAL ECONOMIC ISSUES TO LDCS.

6. HE FURTHER TOLD AMBASSADOR THAT YUGOSLAVIA HAD A 13 PERCENT INCREASE IN OIL CONSUMPTION LAST YEAR AT A TIME WHEN THE WORLD CONSUMPTION DID NOT INCREASE AT ALL. APPARENTLY CONCERNED ABOUT THIS, GOY ONLY NOW IS BEGINNING THESE CONSERVATION MEASURES. MOJSOV DESCRIBED THIS SITUATION AS AN INDICATION THAT YUGOSLAVIA OFTEN DIDN'T REALLY ANALYZE AN ECONOMIC PROBLEM UNTIL VERY LATE. AS A PARALLEL TO THIS, HE INDICATED THAT GOY IS ONLY NOW (THIS MONTH) IN THE PROCESS OF DEVELOPING A COHERENT INTERNATIONAL ECONOMIC POLICY (REFTEL).
SILBERMAN

NOTE BY OC/T: NOT PASSED BAGHDAD.

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